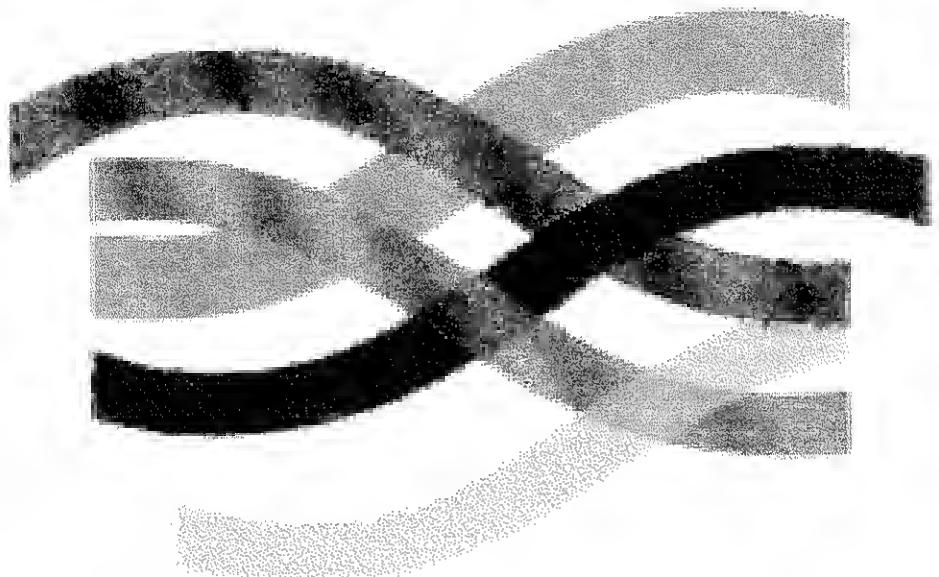


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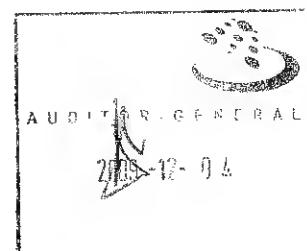
**MATZIKAMA**  
**MUNICIPALITY**

**matzikama**



**FINANCIAL STATEMENTS**

**30 JUNE 2009**



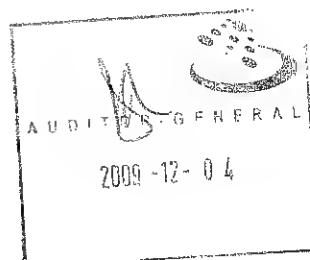
# MATZIKAMA MUNICIPALITY

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# MATZIKAMA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality WC011 (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Matzikama Municipality includes the towns of Vredendal, Vanrhynsdorp, Klawer, Lutzville, Ebenhaezer, Strandfontein and Doringbaal.

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	P Bok
Deputy Executive Mayor	RHF Jonck
Executive Councillor	JM Kriel
Speaker	DD Jenner

#### MUNICIPAL MANAGER

DGI O'Neill

#### CHIEF FINANCIAL OFFICER

LJ Bruwer

#### REGISTERED OFFICE

P.O. Box 98  
VREDENDAL  
8160

#### AUDITORS

Auditor-General  
Private Bag X1  
CHEMPET  
7442

#### PRINCIPLE BANKERS

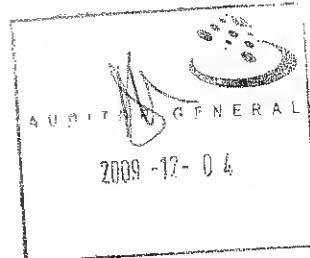
ABSA Bank

#### ATTORNEYS

Swanepoel and Swanepoel Attorneys

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1996)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations



# MATZIKAMA MUNICIPALITY

## MEMBERS OF THE MATZIKAMA MUNICIPALITY

WARD	COUNCILLOR
1	MC Witbooi
2	D Goedeman
3	SCS Beukes
4	P Bok (Executive Mayor)
5	M Cornelius
6	D Scholtz
7	DD Jenner (Speaker)
Proportional	JM Kriel (Executive Councillor)
Proportional	RHF Jonck (Deputy Executive Mayor)
Proportional	WD Loff
Proportional	GJ van Wyk
Proportional	L Januarie

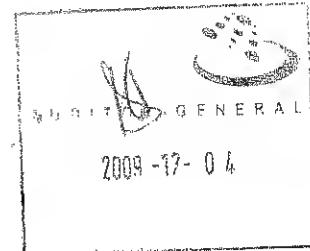
## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 52 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

  
\_\_\_\_\_  
DGI O'Neill

MUNICIPAL MANAGER

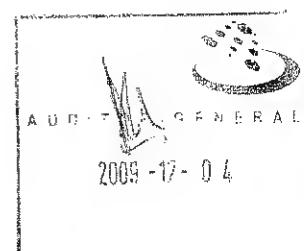
  
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MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Notes	2009 R	2008 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>139,142,592</b>	<b>105,628,713</b>
Housing Development Fund	2	807,385	1,496,732
Capital Replacement Reserve	3	6,040,000	-
Capitalisation Reserve	3	-	-
Government Grant Reserve	3	-	-
Accumulated Surplus/(Deficit)		132,295,207	104,131,981
<b>Non-Current Liabilities</b>		<b>34,296,605</b>	<b>27,455,006</b>
Long-term Liabilities	4	19,068,628	15,812,940
Non-current Employee Benefits	5	9,237,768	8,784,837
Non-current Provisions	6	5,990,209	2,857,229
<b>Current Liabilities</b>		<b>26,361,386</b>	<b>20,787,401</b>
Consumer Deposits	7	2,253,323	1,875,579
Employee Benefits	8	3,383,271	2,908,571
Provisions	9	2,905,000	2,187,280
Trade and Other Payables	10	10,825,596	5,928,313
Unspent Conditional Government Grants and Receipts	11	3,842,297	5,730,514
Operating Lease Liability	21.1	77,753	54,139
Current Portion of Long-term Liabilities	4	3,074,146	2,103,005
<b>Total Net Assets and Liabilities</b>		<b>199,800,583</b>	<b>153,871,120</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>161,879,220</b>	<b>128,240,907</b>
Property, Plant and Equipment	14	146,174,270	112,426,052
Investment Property	15	14,012,910	14,194,910
Intangible Assets	16	946,650	773,894
Long-Term Receivables	17	745,390	846,051
<b>Current Assets</b>		<b>37,921,363</b>	<b>25,630,213</b>
Inventory	18	2,103,249	2,221,778
Trade Receivables from exchange transactions	19	19,341,384	16,388,012
Other Receivables from non-exchange transactions	20	1,210,617	555,245
Unpaid Conditional Government Grants and Receipts	11	4,016,457	2,994,830
Operating Lease Asset	21.2	30,250	30,696
Taxes	12	1,461,189	2,242,486
Current Portion of Long-term Receivables	17	30,972	54,866
Cash and Cash Equivalents	22.1	9,727,245	1,142,300
<b>Total Assets</b>		<b>199,800,583</b>	<b>153,871,120</b>

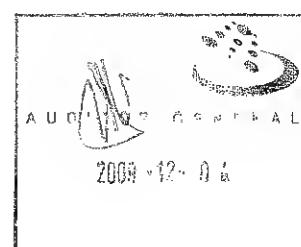


MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		98,318,149	53,325,746
Taxation Revenue		14,718,631	12,688,618
Property taxes	23	14,718,631	12,688,618
Transfer Revenue		76,633,540	39,858,755
Government Grants and Subsidies	24	74,104,751	39,858,755
Public Contributions and Donations	25	2,528,789	-
Other Revenue		6,965,978	778,373
Fines		2,552,099	778,373
Other		4,413,879	-
Revenue from Exchange Transactions		60,609,442	56,380,637
Service Charges	26	49,749,683	45,839,147
Rental of Facilities and Equipment	27	2,279,586	2,068,689
Interest Earned - external investments	28	1,424,212	1,172,381
Interest Earned - outstanding receivables	29	1,674,003	1,404,005
Licences and Permits		5,261	6,967
Income for Agency Services	30	3,263,016	4,268,633
Other Income		2,213,682	1,620,815
<b>Total Revenue</b>		<b>158,927,591</b>	<b>109,706,383</b>
<b>EXPENDITURE</b>			
Employee related costs	31	(36,003,830)	(32,964,458)
Remuneration of Councillors	32	(3,264,953)	(2,965,626)
Debt Impairment	33	-	(3,254,001)
Collection Costs		(69,270)	(167,503)
Depreciation and Amortisation	34	(10,970,082)	(9,040,367)
Repairs and Maintenance		(15,298,061)	(7,911,703)
Unamortised Discount - Interest	5	(513,577)	(463,300)
Actuarial Losses		(88,388)	-
Finance Costs	35	(3,267,117)	(1,975,222)
Bulk Purchases	36	(23,281,057)	(19,103,236)
Contracted Services		(27,175)	(500,814)
Grants and Subsidies Paid	37	(852,216)	(1,326,739)
Other Operating Grant Expenditure		(21,829,574)	(17,138,503)
General Expenses	38	(9,341,010)	(8,625,150)
<b>Total Expenditure</b>		<b>(124,806,310)</b>	<b>(105,436,622)</b>
<b>Operating Surplus for the Year</b>		<b>34,121,281</b>	<b>4,269,761</b>
Gains/(Loss) on Sale of Assets	39	268,003	232,942
(Impairment loss)/Reversal of impairment loss	40	(57,933)	-
Profit/(Loss) on Fair Value Adjustments	41	(128,491)	24,510
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>34,202,860</b>	<b>4,527,213</b>

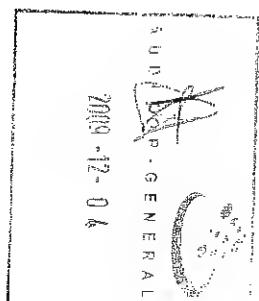
Refer to Appendix E(1) for explanation of variances



MATZIKAMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

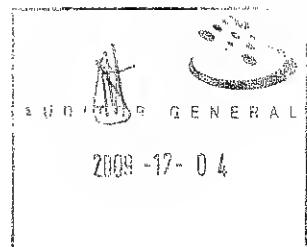
	Housing Development Fund	Capital Replacement Reseve	Capitalisation Reserve	Government Grant Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R
<b>Balance at 1 July 2007</b>	2,990,158	1,050,000	8,435,524	50,863,459	35,156,248	98,495,389
Change in Accounting Policy - note 42.8	-	-	(8,435,524)	(50,863,459)	61,950,969	2,651,986
Correction of Error - note 43.6	-	-	-	-	(45,509)	(45,509)
<b>Restated balance</b>	2,990,158	1,050,000	-	-	97,061,708	101,101,866
Net Surplus/(Deficit) for the year	-	-	-	-	4,527,213	4,527,213
Transfer to/from CRR	-	(1,050,000)	-	-	1,050,000	-
Transfer to Housing Development Fund	(1,493,426)	-	-	-	1,493,426	-
<b>Balance at 30 June 2008</b>	1,496,732	-	-	-	104,132,347	105,629,079
Net Surplus/(Deficit) for the year	(689,347)	-	-	-	34,202,860	33,513,513
Contribution to CRR	-	6,040,000	-	-	(6,040,000)	-
<b>Balance at 30 June 2009</b>	807,385	6,040,000	-	-	132,295,207	139,142,592



MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		152,220,631	107,165,228
Cash paid to suppliers and employees		(103,615,896)	(100,268,898)
Cash generated/(absorbed) by operations	44	48,604,735	6,896,330
Investment Income		3,098,215	2,576,386
Financing Costs		(3,267,117)	(1,988,028)
<b>Net Cash from Operating Activities</b>		<b>48,435,833</b>	<b>7,484,688</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(43,900,939)	(17,381,050)
Proceeds on Disposal of Fixed Assets		-	476,799
(Increase)/Decrease in Intangible Assets		(483,333)	(474,798)
(Increase)/Decrease in Non-current Assets Held for Sale		-	68,184
(Increase)/Decrease in Investment Properties		182,000	100,000
(Increase)/Decrease in Long-term Receivables		124,555	-
(Increase)/Decrease in Non-current Investments		-	587,589
<b>Net Cash from Investing Activities</b>		<b>(44,077,717)</b>	<b>(16,623,276)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		4,226,829	1,923,850
<b>Net Cash from Financing Activities</b>		<b>4,226,829</b>	<b>1,923,850</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and Cash Equivalents at the beginning of the year		8,584,945	(7,214,738)
Cash and Cash Equivalents at the end of the year	45	1,142,300	8,357,038
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>9,727,245</b>	<b>1,142,300</b>
		<b>8,584,945</b>	<b>(7,214,738)</b>



ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009

1. BASIS OF PREPARATION

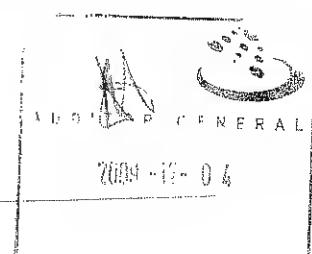
The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.



## **ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories

GRAP 16 – Investment Properties

GRAP 17 – Property, Plant and Equipment

GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets

GRAP 102 – Intangible Assets

### **2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

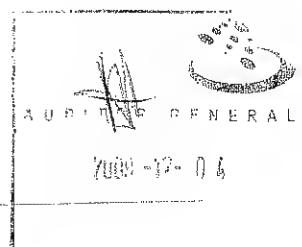
### **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

### **4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.



ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009

**5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>GRAP 18</b>	Segment Reporting
<b>GRAP 21</b>	Impairment of non-cash-generating assets
<b>GRAP 23</b>	Revenue from Non-Exchange Transactions (Taxes and Transfers)
<b>GRAP 24</b>	Presentation of Budget Information in Financial Statements
<b>GRAP 26</b>	Impairment of cash-generating assets
<b>GRAP 103</b>	Heritage Assets

**6. FOREIGN CURRENCY TRANSACTIONS**

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

**7. RESERVES**

**7.1 Capital Replacement Reserve (CRR)**

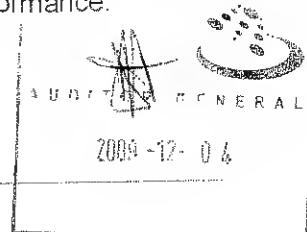
In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

**7.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.



ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009

**8. LEASES**

***8.1 Municipality as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

***8.2 Municipality as Lessor***

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**9. BORROWING COST**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately

## **ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

### **10. UNSPENT CONDITIONAL GRANTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

### **11. PROVISIONS**

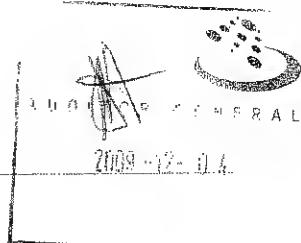
Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009

**12. EMPLOYEE BENEFITS**

**(a) Pension obligations**

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

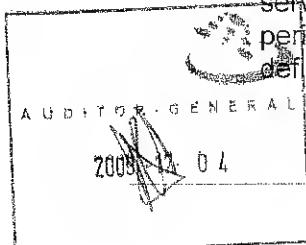
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(b) Post Retirement Medical obligations**

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from



## ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

### **(c) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

## **13. PROPERTY, PLANT AND EQUIPMENT**

### ***13.1 Initial Recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

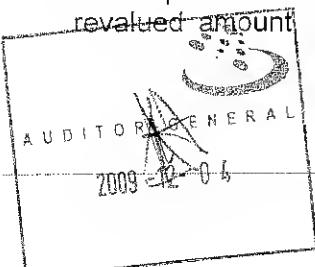
Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### ***13.2 Subsequent Measurement – Revaluation Model***

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount unless otherwise stated in the relevant Notes to the Financial



## ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### ***13.3 Subsequent Measurement – Cost Model***

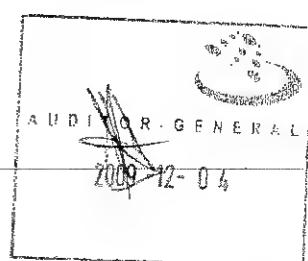
Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### ***13.4 Depreciation and Impairment***

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and	
<b><u>Community</u></b>		Equipment	10-15
Buildings	30	Other plant and	
Recreational Facilities	20-30	Equipment	2-5
Security	5	Landfill sites	15
Halls	20-30	Quarries	25
Libraries	20-30	Emergency equipment	10
Parks and gardens	15-20	Computer equipment	3
Other assets	15-20		
<b><u>Heritage assets</u></b>			
No depreciation			



**ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
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**Finance lease assets**

Office equipment	3
Other assets	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), and an impairment loss is charged to the Statement of Financial Performance.

***13.5 Derecognition***

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**14. INTANGIBLE ASSETS**

***14.1 Initial Recognition***

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.



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30 JUNE 2009

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**14.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**14.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

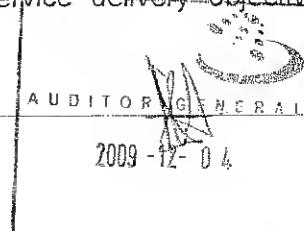
**14.3 Derecognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**15. INVESTMENT PROPERTY**

**15.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service-delivery-objectives, the



## ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

The cost of self-constructed investment property is the cost at date of completion.

### ***15.2 Subsequent Measurement – Fair Value Model***

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### ***15.5 Derecognition***

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **16. NON-CURRENT ASSETS HELD FOR SALE**

### ***16.1 Initial Recognition***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### ***16.2 Subsequent Measurement***

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.



## **ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **17. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

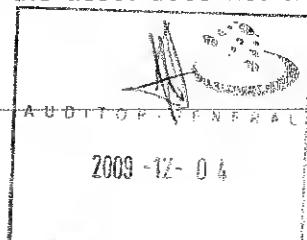
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **18. IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its



## ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

### 19. INVENTORIES

#### *19.1 Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### *19.2 Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

### 20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

#### *20.1 Initial Recognition*

Financial instruments are initially recognised at fair value.



ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009

**20.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

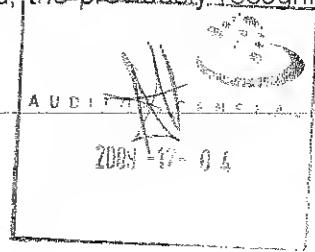
**20.2.1 Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**20.2.2 Trade and Other Receivables**

For amounts due from debtors carried at amortised cost, the municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised



## ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

### 20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### 20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

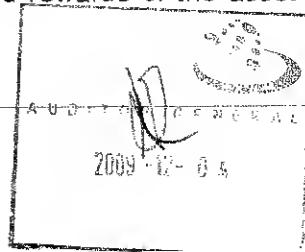
## **20.3 Derecognition of Financial Instruments**

### 20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor



## ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### *20.3.2 Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

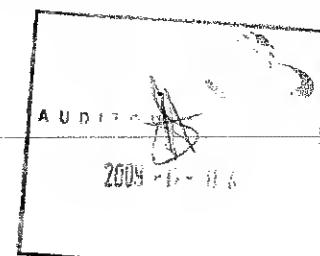
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### *20.4 Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### *20.5 Impairment of Financial Assets*

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED  
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21. REVENUE

**21.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

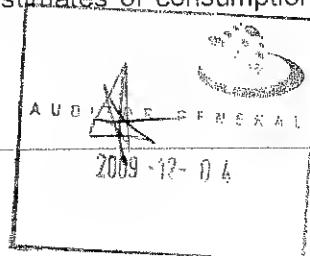
Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**21.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are



## **ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

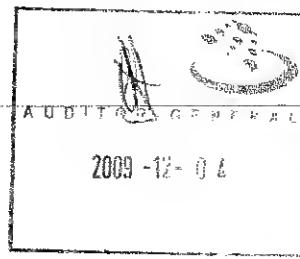
Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **21.3 Grants, Transfers and Donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### **22. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other



## **ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **23. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **24. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **25. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

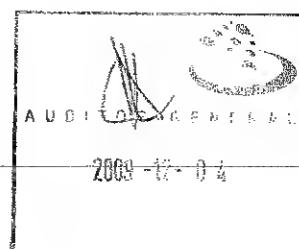
### **26. CONTINGENT LIABILITIES**

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers. An investment has been ceded to the bank for global security against individual guarantees issued for collateral security provided for approved employees.

Other known contingent liabilities are reflected in the financial statements.

### **28. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, changes and the treatment of assets financed by external grants.

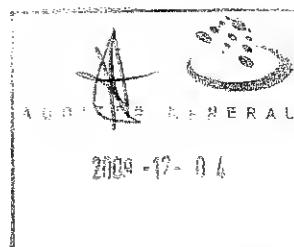


MATZIKAMA MUNICIPALITY

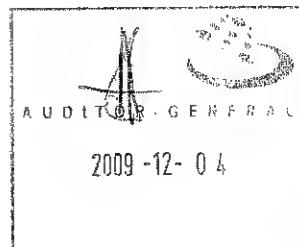
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>2. HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	807,385	1,496,732
Unappropriated Surplus	807,385	1,496,732
Loans extinguished by Government on 1 April 1998	-	-
<b>Total Housing Development Fund Assets and Liabilities</b>	<u>807,385</u>	<u>1,496,732</u>
<b>3. NET ASSET RESERVES</b>		
RESERVES	6,040,000	-
Capital Replacement Reserve	6,040,000	-
Capitalisation Reserve	-	-
Government Grant Reserve	-	-
<b>Total Net Asset Reserve and Liabilities</b>	<u>6,040,000</u>	<u>-</u>
<b>4. LONG TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	24,929,875	21,169,437
Hire Purchase	-	37,375
Capitalised Lease Liability - At amortised cost	-	9,812
<b>Less:</b> Current Portion transferred to Current Liabilities	24,929,875	21,216,624
Annuity Loans - At amortised cost	(3,074,146)	(2,103,005)
Hire Purchase	-	(2,055,818)
Capitalised Lease Liability - At amortised cost	-	(37,375)
<b>Plus:</b> Unamortised charges on loans	21,855,728	19,113,619
Balance 1 July	(2,787,102)	(3,300,679)
Adjustment for the period	(3,300,679)	-
Restatement of prior year comparatives - Note 42.3	513,577	463,300
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<u>19,068,628</u>	<u>15,812,940</u>
The obligations under hire purchases are scheduled below:		Minimum lease payments
Amounts payable under hire purchases:		
Payable within one year	-	2,636
Payable within two to five years	-	37,375
Payable after five years	-	-
<b>Less:</b> Future finance obligations	-	40,011
<b>Present value of hire purchases obligations</b>	<u>-</u>	<u>(2,636)</u>
		<u>37,375</u>
The obligations under finance leases are scheduled below:		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	-	4,080
Payable within two to five years	-	9,812
Payable after five years	-	-
<b>Less:</b> Future finance obligations	-	13,892
<b>Present value of lease obligations</b>	<u>-</u>	<u>(4,080)</u>
		<u>9,812</u>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.



	2009 R	2008 R
<b>5. NON-CURRENT EMPLOYEE BENEFITS</b>		
Provision for Post Retirement Health Care	8,647,002	8,250,784
Provision for Long Service Awards	590,766	534,053
<b>Total Non-current Employee Benefits</b>	<b><u>9,237,768</u></b>	<b><u>8,784,837</u></b>
 <i>Post Retirement Health Care</i>		
Balance 1 July	8,743,226	8,375,302
Contribution for the year	380,128	367,924
Actuarial Loss/(Gain)	75,734	-
<b>Total liability 30 June</b>	<b>9,199,086</b>	<b>8,743,226</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 8	<b>(552,084)</b>	<b>(492,442)</b>
<b>Balance 30 June</b>	<b><u>8,647,002</u></b>	<b><u>8,250,784</u></b>
 <i>Long Service Awards</i>		
Balance 1 July	587,152	510,269
Contribution for the year	71,815	76,883
Actuarial Loss/(Gain)	12,654	-
<b>Total liability 30 June</b>	<b>671,621</b>	<b>587,152</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 8	<b>(80,855)</b>	<b>(53,099)</b>
<b>Balance 30 June</b>	<b><u>590,766</u></b>	<b><u>534,053</u></b>
 <b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
Balance 1 July	9,330,378	8,885,571
Contribution for the year	451,941	444,807
Expenditure for the year	-	-
Actuarial Loss/(Gain)	88,388	-
<b>Total liability 30 June</b>	<b>9,870,707</b>	<b>9,330,378</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 8	<b>(632,939)</b>	<b>(545,541)</b>
<b>Balance 30 June</b>	<b><u>9,237,768</u></b>	<b><u>8,784,837</u></b>
 <b>6.1 Provision for Post Retirement Health Care</b>		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	74	69
Continuation members (e.g. Retirees, widows, orphans)	28	28
<b>Total Members</b>	<b><u>102</u></b>	<b><u>97</u></b>
 The liability in respect of past service has been estimated to be as follows:		
In-service members	1,769,000	1,825,218
Continuation members	7,430,086	6,918,008
<b>Total Liability</b>	<b><u>9,199,086</u></b>	<b><u>8,743,226</u></b>



The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
Hosmed  
LA Health  
Munimed, and  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R166 222, whereas the Interest Cost for the next year is estimated to be R820 582.

	2009 %	2008 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.2	8.0
Health Care Cost Inflation Rate	7.3	6.0
Net Effective Discount Rate	1.7	1.9
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		

The normal retirement age for employees of the municipality is 65 years.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	9,199,086	8,743,226
Fair value of plan assets	-	"
	<u>9,199,086</u>	<u>8,743,226</u>
Unrecognised past service cost	-	"
Unrecognised actuarial gains/(losses)	-	"
Present Value of unfunded obligations	-	"
Net liability/(asset)	<u>9,199,086</u>	<u>8,743,226</u>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

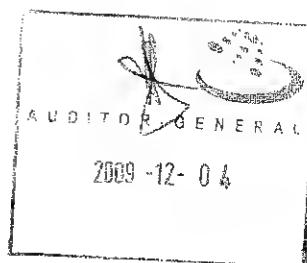
Present value of fund obligation at the beginning of the year	8,743,226	8,375,302
Total expenses	380,126	367,924
Current service cost	173,110	160,286
Interest Cost	699,458	670,024
Benefits Paid	(492,442)	(482,386)
Actuarial (gains)/losses	75,734	"
Present value of fund obligation at the end of the year	<u>9,199,086</u>	<u>8,743,226</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	"
Expected return on plan assets	-	"
Contributions: Employer	-	"
Contributions: Employee	-	"
Past Service Costs	-	"
Actuarial (gains)/losses	-	"
Benefits Paid	-	"
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	1,143,800	860,300
Effect on the defined benefit obligation	10,415,000	8,193,000



2009	2008
R	R

### 5.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 316 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R101 161 whereas the Interest Cost for the next year is estimated to be R58 302.

Key actuarial assumptions used:

#### i) Rate of interest

Discount rate	9.2	8.0
General Salary Inflation (long-term)	6.8	6.0
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.3	1.9

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	671,621	587,152
Fair value of plan assets	-	-
<b>Unrecognised past service cost</b>	<b>671,621</b>	<b>587,152</b>
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b>671,621</b>	<b>587,152</b>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	587,152	510,269
Total expenses	71,815	76,883
Current service cost	77,942	72,168
Vested past service cost	-	-
Interest Cost	46,972	40,821
Benefits Paid	(53,099)	(36,106)
Actuarial (gains)/losses	12,654	-
<b>Present value of fund obligation at the end of the year</b>	<b>671,621</b>	<b>587,152</b>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>-</b>	<b>-</b>

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	155,026	184,425
Effect on the defined benefit obligation	627,000	722,000

### 5.3 Retirement funds

#### CAPE JOINT PENSION FUND

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R200,209) million with a funding level of 106,5% (107,1%), and is in a sound financial state as at 30 June 2008.

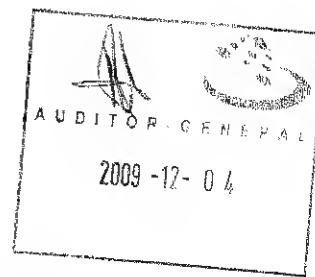
#### CAPE JOINT RETIREMENT FUND

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R12,033 (R20,22) million with a funding level of 103,3% (105,3%) and is in a sound financial position as at 30 June 2008.

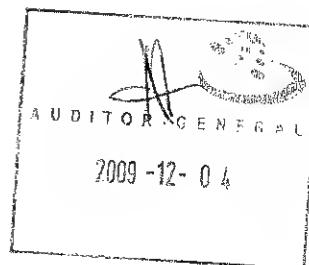
#### MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.



	2009 R	2008 R
<b>6. NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	5,990,209	2,857,229
<b>Total Non-current Provisions</b>	<b>5,990,209</b>	<b>2,857,229</b>
<b>6.1 <i>Landfill Sites</i></b>		
Balance 1 July	5,044,509	4,694,098
Contribution for the year	3,690,741	350,411
Expenditure for the year	-	-
Actuarial Loss/(Gain)	-	-
<b>Total provision 30 June</b>	<b>8,735,250</b>	5,044,509
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 9	<b>(2,745,041)</b>	<b>(2,187,280)</b>
<b>Balance 30 June</b>	<b>5,990,209</b>	<b>2,857,229</b>
<b>6.2</b> In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs of R13.324 Million to restore the sites at the end of their useful lives, estimated to be in 2018 to 2023. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.		
<b>Exemptions taken for provisions according to Directive 4 – Transitional Provisions for Medium and Low Capacity Municipalities</b>		
<b>7. CONSUMER DEPOSITS</b>		
Water and Electricity	2,253,323	1,875,579
<b>Total Consumer Deposits</b>	<b>2,253,323</b>	<b>1,875,579</b>
<b>8. EMPLOYEE BENEFITS</b>		
Performance Bonuses	212,401	172,404
Staff Bonuses	969,883	928,969
Staff Leave	1,529,499	1,223,108
Pension workers	38,549	38,549
Current Portion of Non-Current Employee Benefits	632,939	545,541
Current Portion of Post Retirement Health Care - Note 5	552,084	492,442
Current Portion of Long-Service Provisions - Note 5	80,855	53,099
<b>Total Employee Benefits</b>	<b>3,383,271</b>	<b>2,908,571</b>
The movement in current employee benefits are reconciled as follows:		
<b><i>Post Retirement Health Care</i></b>		
Balance at beginning of year	492,442	462,386
Transfer from non-current	552,084	492,442
Contribution	-	-
Expenditure incurred	(492,442)	(462,386)
Balance at end of year	<b>552,084</b>	<b>492,442</b>
<b><i>Long-service Awards</i></b>		
Balance at beginning of year	53,099	36,106
Transfer from non-current	80,855	53,099
Contribution	-	-
Expenditure incurred	(53,099)	(36,106)
Balance at end of year	<b>80,855</b>	<b>53,099</b>
<b><i>Staff Leave</i></b>		
Balance at beginning of year	1,223,108	-
Change in Accounting Policy - Note 42.4	-	585,004
Transfer from non-current	-	-
Contribution	497,859	893,976
Expenditure incurred	(191,468)	(255,872)
Balance at end of year	<b>1,529,499</b>	<b>1,223,108</b>



	2009 R	2008 R
<b><u>Performance Bonuses</u></b>		
Balance at beginning of year	172,404	-
Change in Accounting Policy - Note 42.4	-	172,404
Transfer from non-current	-	-
Contribution	212,401	172,404
Expenditure incurred	(172,404)	(172,404)
Balance at end of year	<u>212,401</u>	<u>172,404</u>

	2009 R	2008 R
<b><u>Staff Bonuses</u></b>		
Balance at beginning of year	928,969	-
Change in Accounting Policy - Note 42.4	-	928,969
Transfer from non-current	-	-
Contribution	969,883	928,969
Expenditure incurred	(928,969)	(928,969)
Balance at end of year	<u>969,883</u>	<u>928,969</u>

**TOTAL - CURRENT EMPLOYEE BENEFITS**

	2009 R	2008 R
Balance at beginning of year	2,870,022	498,492
Change in Accounting Policy - Note 42.4	-	1,686,377
Transfer from non-current	632,939	545,541
Contribution	1,680,143	1,995,349
Expenditure incurred	(1,838,382)	(1,855,727)
Balance at end of year	<u>3,344,722</u>	<u>2,870,022</u>

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 5 to the Financial Statements, Other Defined Benefit Plan Information

**Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities**

**9. PROVISIONS**

	2009 R	2008 R
Pre-paid Electricity Sales	159,959	-
Current Portion of Rehabilitation of Landfill Sites - Note 6	2,745,041	2,187,280
<b>Total Provisions</b>	<b>2,905,000</b>	<b>2,187,280</b>
	<b>2009 R</b>	<b>2008 R</b>

The movement in current provisions are reconciled as follows:

**Rehabilitation of Landfill Sites**

	2009 R	2008 R
Balance at beginning of year	2,187,280	2,187,280
Transfer from non-current	2,745,041	2,187,280
Contribution to provision	-	-
Expenditure incurred	(2,187,280)	(2,187,280)
Balance at end of year	<u>2,745,041</u>	<u>2,187,280</u>

**10. TRADE AND OTHER PAYABLES**

	2009 R	2008 R
Trade Payables	3,073,047	2,661,038
Payments received in advance	771,776	624,567
Retentions	1,394,529	439,367
Other Creditors	5,073,685	1,753,128
Deposits: Other	512,659	450,213
<b>Total Creditors</b>	<b>10,825,596</b>	<b>5,928,313</b>



	2009 R	2008 R
<b>11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>11.1 Conditional Grants from other spheres of Government</b>		
Unspent Grants	3,842,297	5,730,514
National Government Grants	747,771	3,698,434
Provincial Government Grants	2,686,526	1,624,080
Other Sources	408,000	408,000
<u>Less:</u> Unpaid Grants	<u>4,016,457</u>	<u>2,994,830</u>
National Government Grants	141,484	-
Provincial Government Grants	3,173,720	1,984,131
Other Sources	701,253	1,010,699
<b>Total Conditional Grants and Receipts</b>	<b>(174,160)</b>	<b>2,735,684</b>

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by cash and cash equivalents. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

## 12. TAXES

### VAT Payable

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

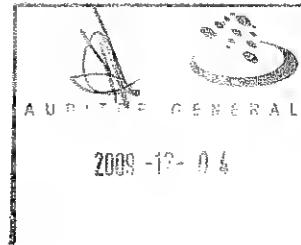
### VAT Receivable

1,461,189      2,242,486

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

## 13. SHORT-TERM LOANS

The Municipality has no short term loans.



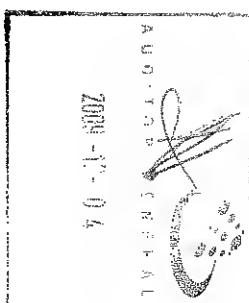
MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

14. PROPERTY, PLANT AND EQUIPMENT

14.1 30 JUNE 2009

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
<b>Carrying value at 1 July 2008</b>	12,060,571	80,494,337	9,340,161	-	43,443	11,052,256	-	112,990,768
<b>Cost</b>	15,197,619	124,903,105	12,764,913	-	409,422	22,248,808	-	175,523,867
Original Cost Revaluation	15,197,619	124,903,105	12,764,913	-	409,422	22,248,808	-	175,523,867
<b>Accumulated Depreciation</b>	(3,137,048)	(44,408,768)	(3,424,752)	-	(365,979)	(11,196,552)	-	(62,533,099)
Original Cost Revaluation	(3,137,048)	(44,408,768)	(3,424,752)	-	(365,979)	(11,196,552)	-	(62,533,099)
<b>Acquisitions</b>	540,540	19,429,080	208,068	-	-	2,728,106	-	22,905,794
<b>Capital under Construction</b>	-	20,953,344	-	-	-	41,801	-	20,995,145
<b>Depreciation</b>	(563,364)	(6,895,265)	(452,042)	-	(43,443)	(2,705,390)	-	(10,659,504)
Normal Depreciation	(563,364)	(6,895,265)	(452,042)	-	(43,443)	(2,705,390)	-	(10,659,504)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
<b>Impairment losses</b>	-	-	-	-	-	(57,933)	-	(57,933)
Cost	-	-	-	-	(409,422)	(119,861)	-	(629,283)
Accumulated Depreciation	-	-	-	-	409,422	61,928	-	471,350
<b>Carrying value at 30 June 2009</b>	12,037,747	113,981,496	9,096,187	-	-	11,058,840	-	148,174,270
<b>Cost</b>	15,738,159	165,285,530	12,972,981	-	-	24,898,854	-	218,895,524
Original Cost Revaluation	15,738,159	165,285,530	12,972,981	-	-	24,898,854	-	218,895,524
<b>Accumulated Depreciation</b>	(3,700,412)	(51,304,035)	(3,876,794)	-	-	(13,840,014)	-	(72,721,255)
Original Cost Revaluation	(3,700,412)	(51,304,035)	(3,876,794)	-	-	(13,840,014)	-	(72,721,255)



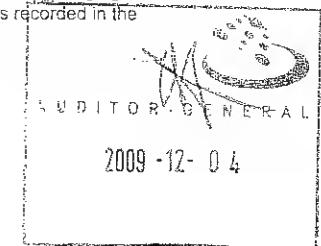
Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
<b>Carrying value at 1 July 2007</b>	11,885,898	73,841,920	9,511,815	-	84,447	8,850,296	-	104,174,376
<b>Cost</b>	14,478,535	112,615,758	12,497,272	-	409,422	18,220,121	-	158,221,108
Original Cost Revaluation	-	-	-	-	409,422	18,220,121	-	158,221,108
<b>Accumulated Depreciation</b>	(2,592,637)	(38,773,838)	(2,985,457)	-	(324,975)	(9,369,825)	-	(54,046,732)
Original Cost Revaluation	-	-	-	-	(324,975)	(9,369,825)	-	(54,046,732)
<b>Acquisitions</b>	700,098	6,121,026	345,418	-	-	3,725,634	-	10,892,176
<b>Capital under Construction</b>	125,457	6,166,321	-	-	-	197,097	-	6,488,875
<b>Transfers from/(to) Investment Properties - Note 15</b>	(41,869)	-	(65,998)	-	-	(71,893)	-	(179,760)
<b>Cost</b>	(35,252)	-	(77,776)	-	-	(303,465)	-	(416,493)
Accumulated Depreciation	(6,617)	-	11,778	-	-	231,572	-	236,733
<b>Depreciation</b>	(544,916)	(5,634,930)	(451,073)	-	(41,004)	(2,058,299)	-	(8,730,222)
Normal Depreciation	(544,916)	(5,634,930)	(451,073)	-	(41,004)	(2,058,299)	-	(8,730,222)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
<b>Carrying value of disposals</b>	(64,097)	-	-	-	-	-	-	(64,097)
<b>Cost</b>	(71,219)	-	-	-	-	-	-	(71,219)
Accumulated Depreciation	7,122	-	-	-	-	-	-	7,122
<b>Carrying value at 30 June 2008</b>	12,060,571	80,494,337	9,340,162	-	43,443	10,642,835	-	112,990,768
<b>Cost</b>	15,197,619	124,903,105	12,764,913	-	409,422	22,248,806	-	175,523,865
Original Cost Revaluation	-	-	-	-	409,422	22,248,806	-	175,523,865
<b>Accumulated Depreciation</b>	(3,137,048)	(44,408,768)	(3,424,752)	-	(365,979)	(11,196,552)	-	(62,533,099)
Original Cost Revaluation	-	-	-	-	(365,979)	(11,196,552)	-	(62,533,099)

## 14.3 Other Information

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

The Municipality has taken advantage of the transitional provisions set out in Directive 4. The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets and other property plant and equipment using global or other historical costs recorded in the accounting records.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.



	2009 R	2008 R
<b>15. INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	14,194,910	14,294,910
Cost/Valuation	14,194,910	14,315,909
Correction of Error - Note 43.6	-	(20,999)
Accumulated Depreciation	-	-
Transfer to Property, Plant and Equipment	-	-
Cost	-	-
Accumulated Depreciation	-	-
Disposals	(182,000)	-
Fair Value Adjustments	-	(100,000)
Depreciation for the year	-	-
<b>Net Carrying amount at 30 June</b>	<b>14,012,910</b>	<b>14,194,910</b>
Cost/Valuation	14,012,910	14,194,910
Accumulated Depreciation	-	-

The fair value of Investment Properties, as valued by the municipality's valuer, is estimated at:

14,012,910      14,194,910

**Exemptions taken for investment property according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities**

#### 16. INTANGIBLE ASSETS

	773,895	299,097
Net Carrying amount at 1 July	773,895	299,097
Cost	1,084,039	609,241
Correction of Error - Note 41.7	(310,144)	(93,598)
Accumulated Amortisation	(310,144)	(216,546)
Acquisitions	483,333	474,798
Amortisation	(310,578)	-
<b>Net Carrying amount at 30 June</b>	<b>946,650</b>	<b>773,895</b>
Cost	1,567,372	1,084,039
Accumulated Amortisation	(620,722)	(310,144)

**Exemptions taken for intangible assets according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities**

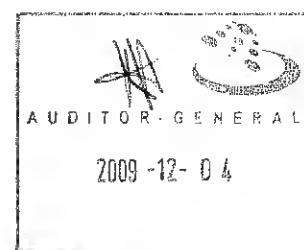
#### 17. LONG TERM RECEIVABLES

Staff Car Loans	-	48,459
Housing selling scheme loans	776,362	852,459
<b>Less:</b> Current portion transferred to current receivables	<b>776,362</b>	<b>900,918</b>
	(30,972)	(54,866)
	745,390	846,052
<b>Less:</b> Provision for impairment of Long Term Receivables	<b>745,390</b>	<b>846,052</b>
<b>Total Long Term Receivables</b>	<b>745,390</b>	<b>846,052</b>

#### 18. INVENTORY

Consumable Stores - At cost	95,725	51,024
Water - At purification cost	110,736	100,297
Graves - At cost	115,325	14,737
Niss Wall - At cost	176,800	176,800
Refuse Wheelie Bins - At cost	29,200	34,800
Housing Inventory held for transfer - At cost	1,310,684	1,655,677
Land held for resale - At cost	264,779	188,443
<b>Total Inventory</b>	<b>2,103,249</b>	<b>2,221,778</b>

**Exemptions taken for inventory according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities**



	2009 R	2008 R
<b>19. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Service Debtors	24,173,674	23,266,670
Housing Rentals	3,041,402	2,644,542
<b>Total: Trade receivables from exchange transactions (before provision)</b>	<b>27,215,076</b>	<b>25,911,212</b>
Provision for Impairments	(7,873,692)	(9,523,200)
<b>Total: Trade receivables from exchange transactions (after provision)</b>	<b>19,341,384</b>	<b>16,388,012</b>

The fair value of other receivables approximate their carrying value.

(Service Debtors): Ageing

Current (0 - 30 days)	7,386,086	8,829,627
31 - 60 Days	1,264,449	1,059,622
61 - 90 Days	956,014	844,761
+ 90 Days	14,567,125	12,532,660
<b>Total</b>	<b>24,173,674</b>	<b>23,266,670</b>

Reconciliation of Provision for Bad Debts

Balance at beginning of year	9,523,200	7,000,000
Contribution (from)/to provision	(530,659)	3,254,001
Bad Debts written off against provision	(1,118,849)	(730,801)
<b>Balance at end of year</b>	<b>7,873,692</b>	<b>9,523,200</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**20. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Other Debtors	1,210,617	555,245
<b>Less:</b> Provision for bad debts	<b>-</b>	<b>-</b>
<b>Total Other Receivables from non-exchange transactions</b>	<b>1,210,617</b>	<b>555,245</b>

The fair value of other receivables approximate their carrying value.

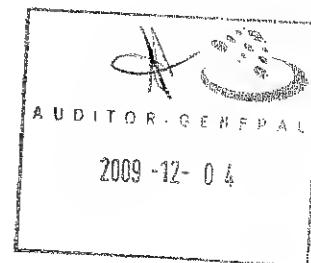
**21. OPERATING LEASE ARRANGEMENTS**

**21.1 The Municipality as Lessee**

Leases not previously recognised	77,753	54,139
<b>Balance on 30 June</b>	<b>77,753</b>	<b>54,139</b>
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	382,565	339,030
1 to 5 Years	670,162	1,052,727
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>1,052,727</b>	<b>1,391,757</b>

Reconciliation

Amount previously recorded	54,139	-
Change in Accounting Policy - Note 42.5	23,274	-
Movement during the year	23,614	30,865
<b>Balance on 30 June</b>	<b>77,753</b>	<b>54,139</b>



	2009 R	2008 R
21.2 The Municipality as Lessor		
Leases not previously recognised - Note 42.6	30,250	30,696

Balance on 30 June

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	69,912	72,798
1 to 5 Years	90,036	159,948
More than 5 Years	-	-
Total Operating Lease Arrangements	<u>159,948</u>	<u>232,746</u>

#### Reconciliation

Amount previously recorded	30,696	-
Change in accounting policy - Note 42.6	12,650	12,650
Movement during the year	(446)	18,046
Balance on 30 June	<u>30,250</u>	<u>30,696</u>

## 22. CASH AND CASH EQUIVALENTS

### 22.1 Assets

Call Investments Deposits	9,721,495	1,136,750
Primary Bank Account	5,750	5,550
Cash Floats		
Total Cash and Cash Equivalents - Assets	<u>9,727,245</u>	<u>1,142,300</u>

### 22.2 Liabilities

Primary Bank Account	-	-
Total Cash and Cash Equivalents - Liabilities	<u>-</u>	<u>-</u>

The municipality has the following bank accounts:

#### Current Accounts

ABSA Bank Limited - Account Number 4050575029 (Primary Bank Account):	9,721,495	1,136,750
	<u>9,721,495</u>	<u>1,136,750</u>

#### *ABSA Bank - Account Number 4050575029 (Primary Bank Account):*

Cash book balance at beginning of year	1,136,750	314,206
Cash book balance at end of year	<u>9,721,495</u>	<u>1,136,750</u>

Bank statement balance at beginning of year	6,026,052	4,063,946
Bank statement balance at end of year	<u>12,911,831</u>	<u>6,026,052</u>

## 23. PROPERTY RATES

#### Actual

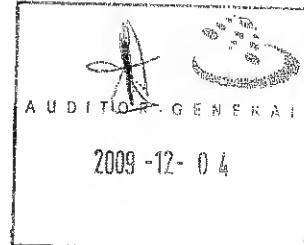
Rateable Land and Buildings	24,089,144	16,984,669
<u>Less:</u> Rebates	<u>(9,370,513)</u>	<u>(4,296,051)</u>
Total Assessment Rates	<u>14,718,631</u>	<u>12,688,618</u>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

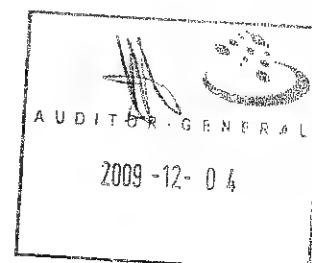
A rate in the rand of R 0.00650 was charged on all property.

Government properties qualified for a 30% discount and Agricultural properties for a 65% discount.

Rates are levied monthly and payable by the 25th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.



	2009 R	2008 R
<b>24. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	18,034,375	12,687,000
Other - Operating Grants	37,628,932	17,342,890
Other - Capital Grants	18,441,444	9,828,865
<b>Total Government Grants and Subsidies</b>	<b>74,104,751</b>	<b>39,858,755</b>
<b>25. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Public Contributions - Conditional	2,528,789	-
Public Contributions - Unconditional	-	-
Donations	-	-
<b>Total Public Contributions and Donations</b>	<b>2,528,789</b>	<b>-</b>
<b>26. SERVICE CHARGES</b>		
Electricity	31,083,040	26,196,438
Service Charges	31,506,364	26,511,407
<u>Less:</u> Rebates	(423,324)	(314,969)
Water	7,410,633	9,955,648
Service Charges	8,910,766	11,455,782
<u>Less:</u> Rebates	(1,500,133)	(1,500,133)
Refuse Removal	5,346,825	3,453,919
Service Charges	6,841,436	4,464,010
<u>Less:</u> Rebates	(1,494,611)	(1,010,091)
Sewerage and Sanitation Charges	5,909,185	6,233,141
Service Charges	8,595,471	8,169,344
<u>Less:</u> Rebates	(2,686,288)	(1,936,203)
<b>Total Service Charges</b>	<b>49,749,683</b>	<b>45,839,147</b>
<b>27. RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities and equipment	2,297,540	2,003,239
Other rentals	46	65,450
<b>Total Rental of Facilities and Equipment</b>	<b>2,297,586</b>	<b>2,068,689</b>
<b>28. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	987,526	583,588
Financial assets	434,026	582,558
Other	2,660	6,235
<b>Total Interest Earned - External Investments</b>	<b>1,424,212</b>	<b>1,172,381</b>
<b>29. INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Trade Receivables	1,674,003	1,404,005
<b>Total Interest Earned - Outstanding Receivables</b>	<b>1,674,003</b>	<b>1,404,005</b>



	2009 R	2008 R
<b>30. OTHER INCOME</b>		
Advertising Signs	2,352	2,352
Application Fees - Town Planning	34,052	74,989
Building Plan Fees	152,200	158,308
Cemetery	336,402	290,381
Cemetery-Diggings	19,456	12,485
Driveways	11,007	4,629
Electricity Connections	2,105	304,307
Encroachments	37,412	24,825
Housing redeemed	110,414	253,270
Library Fees	-	217,274
Photocopies	19,825	19,961
Refuse Bags	846	163
Roadworthy Certificates	520,796	197,304
Sundry Income - Finance	385,907	3,966
Surplus Cash	-	4,564
Traffic Sundries	-	30
Valuation Certificates	50,249	52,027
Provision for Debt Impairment adjustment	530,659	-
<b>Total Other Income</b>	<b>2,213,682</b>	<b>1,620,815</b>

#### **31. EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	26,805,372	22,101,624
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,411,808	6,147,144
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2,113,864	1,980,035
Housing Benefits and Allowances	582,497	490,146
Overtime Payments	1,313,946	1,205,701
Bonuses	1,182,284	1,101,373
Provision for leave	497,859	893,977
<b>Less: Employee Costs allocated elsewhere</b>	<b>36,907,630</b>	<b>33,920,000</b>
<b>Total Employee Related Costs</b>	<b>36,003,830</b>	<b>32,964,458</b>

#### **KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

#### **REMUNERATION OF KEY MANAGEMENT PERSONNEL**

##### *Remuneration of the Municipal Manager*

Annual Remuneration	775,955	716,487
Performance Bonus	50,154	78,540
<b>Total</b>	<b>826,109</b>	<b>795,027</b>

##### *Remuneration of the Director : Finance*

Annual Remuneration	553,413	511,000
Performance Bonus	45,990	63,380
<b>Total</b>	<b>599,403</b>	<b>574,380</b>

##### *Remuneration of Director : Administration*

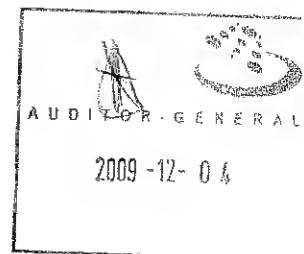
Annual Remuneration	332,344	406,520
Performance Bonus	-	32,659
<b>Total</b>	<b>332,344</b>	<b>439,179</b>

##### *Remuneration of Director : Community Services*

Annual Remuneration	487,350	450,000
Performance Bonus	40,500	53,940
<b>Total</b>	<b>527,850</b>	<b>503,940</b>

##### *Remuneration of Director : Technical Services*

Annual Remuneration	141,712	495,432
Performance Bonus	35,760	27,932
<b>Total</b>	<b>177,472</b>	<b>523,364</b>



	2009 R	2008 R
<i>Remuneration of LED Manager</i>		
Annual Remuneration	353,508	
Total	<u>353,508</u>	-

**32. REMUNERATION OF COUNCILLORS**

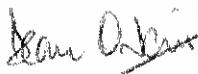
Executive Mayor	534,683	481,696
Deputy Executive Mayor	430,942	388,236
Speaker	430,942	388,236
Executive Committee Members	405,007	364,872
Councillors	1,463,379	1,342,586
<b>Total Councillors' Remuneration</b>	<b><u>3,264,953</u></b>	<b><u>2,965,626</u></b>

*In-kind Benefits*

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

*Certification by the Municipal Manager*

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Signed: Municipal Manager

**33. DEBT IMPAIRMENT**

Trade Receivables from exchange transactions - Note 19	-	3,264,001
Long-term Receivables - Note 17	-	-
Other Receivables from non-exchange transactions - Note 20	-	-
<b>Total Contribution to Bad Debts Provision</b>	<b><u>-</u></b>	<b><u>3,264,001</u></b>

**34. DEPRECIATION AND AMORTISATION**

Property, plant and equipment	10,659,504	8,946,769
Intangible assets	310,578	93,598
<b>Total Depreciation and Amortisation</b>	<b><u>10,970,082</u></b>	<b><u>9,040,367</u></b>

**35. FINANCE COSTS**

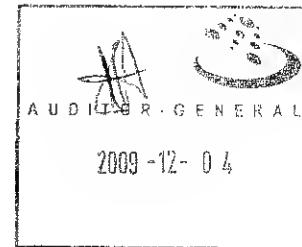
Long-term Liabilities	3,267,117	1,975,222
<b>Total Finance Costs</b>	<b><u>3,267,117</u></b>	<b><u>1,975,222</u></b>

**36. BULK PURCHASES**

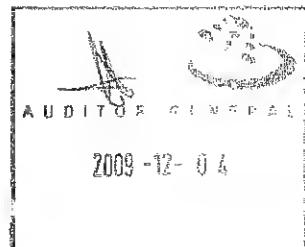
Electricity	20,814,039	16,333,432
Water	2,467,018	2,769,804
<b>Total Bulk Purchases</b>	<b><u>23,281,057</u></b>	<b><u>19,103,236</u></b>

**37. GRANTS AND SUBSIDIES PAID**

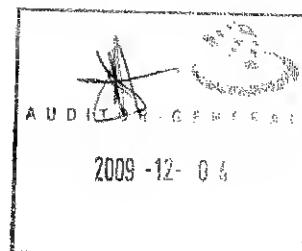
Donations General	136,816	148,810
Poverty Aleviation	25,701	3,622
Life Guards	81,088	92,844
Contribution: Ritelefies	50,000	80,000
Housing loans written off	558,611	1,001,463
<b>Total Grants and Susidies</b>	<b><u>852,216</u></b>	<b><u>1,326,739</u></b>



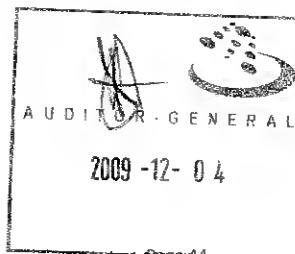
	2009 R	2008 R
<b>38. GENERAL EXPENSES</b>		
General Expenses	<u>9,341,010</u>	<u>8,625,150</u>
General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
<b>39. GAIN/ (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	<u>268,003</u>	<u>232,942</u>
Total Gain/ (Loss) on Sale of Assets	<u>268,003</u>	<u>232,942</u>
<b>40. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS</b>		
Property, Plant and Equipment	<u>57,933</u>	<u>-</u>
Total (Impairment Loss)/ Reversal of Impairment Loss	<u>57,933</u>	<u>-</u>
<b>41. PROFIT/ (LOSS) ON FAIR VALUE ADJUSTMENTS</b>		
Investment property carried at fair value	<u>(128,491)</u>	<u>24,510</u>
Other financial assets	<u>-</u>	<u>-</u>
Other financial liabilities	<u>-</u>	<u>-</u>
Total Profit/ (Loss) on Fair Value Adjustments	<u>(128,491)</u>	<u>24,510</u>
<b>42. CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GAMAP/GRAP</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP/GRAP:		
<b>42.1 Capitalisation Reserve</b>		
Balance previously reported:	<u>-</u>	<u>7,465,761</u>
Transfer to Accumulated Surplus/(Deficit) - Note 3	<u>-</u>	<u>(7,465,761)</u>
Restated balance	<u>-</u>	<u>-</u>
<b>42.2 Government Grant Reserve</b>		
Balance previously reported:	<u>-</u>	<u>56,984,049</u>
Transfer to Accumulated Surplus/(Deficit) - Note 3	<u>-</u>	<u>(56,984,049)</u>
Restated balance	<u>-</u>	<u>-</u>
<b>42.3 Long-term Liabilities</b>		
Balance previously reported:	<u>-</u>	<u>19,113,619</u>
Implementation of GRAP	<u>-</u>	<u>-</u>
Unamortised charges on loans recognised - Note 4	<u>-</u>	<u>(3,763,979)</u>
Restated balance	<u>-</u>	<u>15,349,640</u>
<b>42.4 Employee Benefits</b>		
Balance previously reported	<u>-</u>	<u>2,771,370</u>
Implementation of GRAP	<u>-</u>	<u>1,101,373</u>
Performance Bonuses recognised - Note 7	<u>-</u>	<u>172,404</u>
Staff Bonuses recognised - Note 7	<u>-</u>	<u>928,969</u>
Staff Leave previously recognised as Trade Payables	<u>-</u>	<u>1,223,108</u>
Restated balance	<u>-</u>	<u>5,095,851</u>



	2009 R	2008 R
<b>42.5 Operating Lease Liability</b>		
Balance previously reported	-	-
Implementation of GRAP	-	-
Operating Lease Liability recognised - Note 21.1	23,274	23,274
Restated balance	<u><u>-</u></u>	<u><u>23,274</u></u>
<b>42.6 Operating Lease Asset</b>		
Balance previously reported	-	-
Implementation of GRAP	-	-
Operating Lease Asset recognised - Note 21.2	12,650	12,650
Restated balance	<u><u>-</u></u>	<u><u>12,650</u></u>
<b>42.7 Trade Payables</b>		
Balance previously reported	-	7,164,227
Implementation of GRAP	-	-
Provision for Staff Leave Included under Employee Benefits - Note 7	-	(1,223,108)
Correction of Error - Note 43.1	-	12,806
Restated balance	<u><u>-</u></u>	<u><u>5,941,119</u></u>
<b>42.8 Accumulated Surplus/(Deficit)</b>		
Implementation of GRAP	-	61,950,969
Reversal of Capitalisation Reserve - Note 42.1	-	7,465,761
Reversal of Government Grant Reserve - Note 42.2	-	56,984,049
Reversal of Capital Grants used to purchase PPE in 2008	-	(9,828,865)
Reversal of Offsetting of Depreciation recognised previous year in Statement of Changes In Net Assets	-	4,678,042
Unamortised discount on loans - Note 42.3	-	3,763,979
Performance Bonuses recognised - Note 42.4	-	(172,404)
Staff Bonuses recognised - Note 42.4	-	(928,966)
Operating Lease Liability recognised - Note 42.5	-	(23,274)
Operating Lease Asset recognised - Note 42.6	-	12,650
Total Changes in Accounting Policy	<u><u>-</u></u>	<u><u>61,950,969</u></u>
<b>43. CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
<b>43.1 Trade Payables</b>		
Balance previously reported	-	31,783
Accumulated interest on DBSA loan not recognised	-	(44,569)
Trade Payables duplicated in financial records	<u><u>-</u></u>	<u><u>{12,806}</u></u>
Total	<u><u>-</u></u>	<u><u>{12,806}</u></u>
<b>43.2 Inventory</b>		
Balance previously reported	-	62,458
Housing Inventory not previously recognised	-	(6,109)
Houses sold in previous year not recorded	<u><u>-</u></u>	<u><u>56,349</u></u>
Total	<u><u>-</u></u>	<u><u>56,349</u></u>
<b>43.3 Receivables from non-exchange transactions</b>		
Balance previously reported	-	6,357
Eskom Deposits not previously recognised	-	3,879
Sundry Debtors not previously recognised	<u><u>-</u></u>	<u><u>10,236</u></u>
Total	<u><u>-</u></u>	<u><u>10,236</u></u>



	2009 R	2008 R
<b>43.4 Taxes</b>		
Balance previously reported		
VAT Receivable not previously recognised	-	31,215
Total	<u>-</u>	<u>31,215</u>
<b>43.5 Property, Plant and Equipment</b>		
Balance previously reported		
PPE of Sport Clubs previously incorrectly included	-	(155,295)
Total	<u>-</u>	<u>(155,295)</u>
<b>43.6 Investment Property</b>		
Balance previously reported		
Investment Property not previously recognised	-	24,510
Investment Property previously overstated	<u>-</u>	<u>(45,509)</u>
Total	<u>-</u>	<u>(20,999)</u>
<b>43.7 Intangible Assets</b>		
Balance previously reported		
Amortisation not written-off in previous year	-	93,598
Total	<u>-</u>	<u>93,598</u>
<b>43.8 Accumulated Surplus/(Deficit) - 1 July 2007</b>		
Investment Property previously overstated - Note 43.6	-	45,509
Total	<u>-</u>	<u>45,509</u>
<b>43.9 Accumulated Surplus/(Deficit) - 2007/2008</b>		
Accumulated interest on DBSA loan not recognised - Note 43.1	-	31,763
Trade Payables duplicated in financial records - Note 43.1	-	(44,589)
Housing Inventory not previously recognised - Note 43.2	-	(62,458)
Eskom Deposits not previously recognised - Note 43.3	-	(6,357)
Sundry Debtors not previously recognised - Note 43.3	-	(3,879)
VAT Receivable not previously recognised - Note 43.4	-	(31,215)
PPE of Sport Clubs previously included - Note 43.5	-	155,295
Investment Property not previously recognised - Note 43.6	-	(24,510)
Houses sold in previous year not recorded - Note 43.2	-	6,109
Amortisation not written-off in previous year - Note 43.7	-	(93,598)
Total	<u>-</u>	<u>(73,419)</u>
<b>44. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	34,202,860	4,527,213
<u>Adjustments for:</u>		
Depreciation and amortisation	10,659,504	8,946,769
Amortisation of Intangible Assets	310,578	
Gain on disposal of property, plant and equipment	(268,003)	(232,942)
Changes in fair value adjustments	57,933	(24,510)
Impairments	(3,098,215)	(2,576,386)
Investment income	3,287,117	1,988,028
Financing Costs		
Operating Surplus/(Deficit) before changes in working capital	45,131,774	12,628,172
Changes in working capital	3,472,961	(5,731,842)
Increase/(Decrease) in Consumer Deposits	377,744	161,923
Increase/(Decrease) in Provisions	717,720	614,408
Increase/(Decrease) in Current Employee Benefits	474,700	13,951
Increase/(Decrease) in Non-Current Provisions	3,383,199	350,411
Increase/(Decrease) in Non-Current Employee Benefits	452,931	397,758
Increase/(Decrease) in Trade and Other Payables	3,661,369	2,135,801
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1,888,217)	(180,371)
Increase/(Decrease) in Taxes	781,297	(1,991,335)
Increase/(Decrease) in Operating Lease Liability	23,614	-
(Increase)/Decrease in Inventory	118,529	173,592
(Increase)/Decrease in Trade Receivables from exchange transactions	(2,953,372)	(4,734,862)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(655,372)	(55,036)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(1,021,627)	(2,618,082)
(Increase)/Decrease in Operating Lease Asset	446	-
Cash generated/(absorbed) by operations	<u>48,604,735</u>	<u>6,896,330</u>



	2009 R	2008 R
<b>45. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 22	5,750	5,550
Bank - Note 22	<u>9,721,495</u>	<u>1,136,750</u>
<b>Total cash and cash equivalents</b>	<b><u>9,727,245</u></b>	<b><u>1,142,300</u></b>

#### **46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - Note 4	24,929,875	21,216,624
Used to finance property, plant and equipment - at cost	<u>(24,929,875)</u>	<u>(21,216,624)</u>
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act

#### **47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

##### **47.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:		
Opening balance	33,994,676	10,531,748
Unauthorised expenditure current year	<u>29,609,892</u>	<u>23,462,928</u>
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>63,604,568</u>	<u>33,894,676</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None

##### **47.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
None	None

##### **47.3 Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	911,750	338,943
Irregular expenditure current year	<u>104,424</u>	<u>572,807</u>
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	<u>1,016,174</u>	<u>911,750</u>

Incident	Disciplinary steps/criminal proceedings
Additional payments made to employees i.r.o. Essential Motor Scheme	None



2009	2008
R	R

**48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**48.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Opening balance	44,230	28,621
Council subscriptions	150,165	137,424
Amount paid - current year	(150,165)	(121,815)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>44,230</b>	<b>44,230</b>

**48.2 Audit fees - [MFMA 125 (1)(b)]**

Opening balance	-	782,198
Current year audit fee	734,210	782,198
External Audit - Auditor-General	734,210	782,198
Amount paid - current year	(734,210)	(782,198)
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>"</b>	<b>"</b>

**48.3 VAT - [MFMA 125 (1)(b)]**

Opening balance	2,211,271	745,810
Amounts received - current year	(6,959,081)	(589,102)
Amounts claimed - current year (payable)	6,217,316	2,054,563
Amount paid - current year	"	"
Amount paid - previous year	"	"
<b>Closing balance</b>	<b>1,469,506</b>	<b>2,211,271</b>

**48.4 PAYE and UIF - [MFMA 125 (1)(b)]**

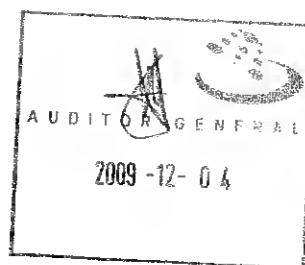
Opening balance	286,188	-
Current year payroll deductions	3,650,470	3,719,118
Amount paid - current year	(3,936,658)	(3,432,930)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>286,188</b>

**48.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]**

Opening balance	-	-
Current year payroll deductions and Council Contributions	7,482,650	7,313,886
Amount paid - current year	(7,482,650)	(7,313,886)
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**48.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

No councillor's account was in arrear in the current or prior financial year.



**48.7 Non-compliance with Chapter 14 of the Municipal Finance Management Act**

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Executive & Council	405,475	88,430	-	-
Corporate Services	398,154	-	-	-
Safety	268,478	30,420	-	-
Financial Services	1,265,538	1,887,870	247,046	-
Technical Services	5,760,843	1,108,731	1,723,499	-
	<b>8,098,488</b>	<b>3,115,451</b>	<b>1,970,545</b>	<b>-</b>

Reasons for the deviations from Supply Chain Management Regulations are procurements in case of an emergency or goods or services that are only available from a single provider or cases where it is impractical or impossible to follow the official procurement processes.

2009                    2008  
R                        R

**48.8 Material losses - [MFMA 125 (2)(d)]**

The following material distribution losses incurred during the year:

Electricity (%)	13.60	9.07
Electricity (Rand Value)	<u>5,581,619</u>	<u>3,015,437</u>

**49. CAPITAL COMMITMENTS**

**Commitments In respect of capital expenditure:**

Approved and contracted for:	7,700,000	7,400,000
Infrastructure	7,200,000	7,400,000
Community	500,000	-
Approved but not yet contracted for:	39,343,000	37,171,600
Infrastructure	34,518,000	20,724,123
Community	1,080,000	-
Housing Development Fund	-	5,217,500
Investment Properties	-	4,953,600
Other	3,745,000	6,276,377
<b>Total</b>	<b>47,043,000</b>	<b>44,571,600</b>

This expenditure will be financed from:

External Loans	6,093,442	5,600,000
Capital Replacement Reserve	6,040,000	9,555,600
Government Grants	30,346,558	29,416,000
Other Resources	4,563,000	-
	<b>47,043,000</b>	<b>44,571,600</b>

**50. RETIREMENT BENEFIT INFORMATION**

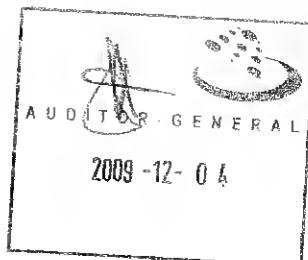
Council employees contribute to the Cape Joint Municipal Pension Fund and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 30 June 2008.

**51. FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.



**(b) Interest Rate Risk**

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

**(c) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors.

The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

**(d) Liquidity Risk**

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

**(e) Other Risks**

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

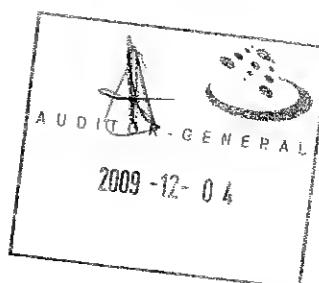
Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

Investments		
Long Term Receivables	776,362	900,917
Trade receivables from exchange transactions	19,341,384	16,388,012
Other receivables from non-exchange transactions	1,210,617	555,245
Other Debtors	5,516,213	5,268,012
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	9,727,245	1,142,300
Bank and Cash Balances		
<b>Maximum Credit and Interest Risk Exposures</b>	<b>36,571,821</b>	<b>24,254,486</b>



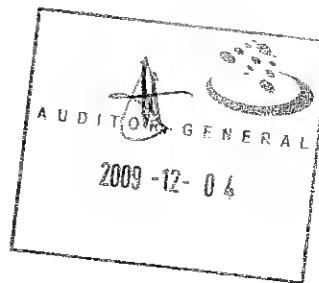
2009	2008
R	R

**52. FINANCIAL INSTRUMENTS**

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	2009	2008
<b>Long-term Receivables</b>			
Housing Selling Scheme Loans	Loans and Receivables	776,362	900,917
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Loans and Receivables	19,341,384	16,388,012
Other receivables from non-exchange transactions	Loans and Receivables	1,210,617	555,245
<b>Other Debtors</b>			
Operating Lease Asset	Loans and Receivables	30,250	30,696
VAT	Loans and Receivables	1,469,506	2,242,486
Government Subsidies and Grants	Loans and Receivables	4,016,457	2,994,830
<b>Cash and Cash Equivalents</b>			
Bank Balances	Held to maturity	9,721,495	1,136,750
Cash Floats and Advances	Held to maturity	5,750	5,560
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Held to maturity:</b>			
Bank Balances		9,721,495	1,136,750
Cash Floats and Advances		5,750	5,560
		<u>9,727,245</u>	<u>1,142,300</u>
<b>Loans and Receivables</b>			
Long-term Receivables	Staff Loans	776,362	900,917
Consumer Debtors	Exchange transactions	19,341,384	16,388,012
Consumer Debtors	Non-exchange transactions	1,210,617	555,245
Other Debtors	Operating Lease Asset	30,250	30,696
Other Debtors	Government Subsidies and Grants	4,016,457	2,994,830
Current Portion of Long-term Receivables	Staff Loans	-	-
VAT	VAT	1,469,506	2,242,486
		<u>26,844,576</u>	<u>23,112,186</u>
<b>Total Financial Assets</b>		<u>36,571,821</u>	<u>24,254,486</u>

<u>Financial Liabilities</u>	<u>Classification</u>	2009	2008
<b>Long-term Liabilities</b>			
Annuity Loans	At amortised cost	24,929,875	21,169,437
Capitalised Lease Liability	At amortised cost	-	47,187
<b>Non-current Provisions/Employee Benefits</b>			
Post-retirement Health Care Benefits	At amortised cost	9,199,086	8,743,226
Long Service Awards	At amortised cost	671,621	587,152
Rehabilitation of Landfill-sites	At amortised cost	8,735,250	5,044,509
<b>Employee Benefits</b>			
Performance Bonuses	At amortised cost	212,401	172,404
Bonuses	At amortised cost	969,883	928,969
Staff Leave	At amortised cost	1,529,493	1,223,108
<b>Trade and Other Payables</b>			
Payables	At amortised cost	10,825,596	5,928,313
<b>Unspent Conditional Government Grants and Receipts</b>			
National Government Grants	At amortised cost	747,771	3,698,434
Provincial Government Grants	At amortised cost	2,686,526	1,624,080
Other Sources	At amortised cost	408,000	408,000



## SUMMARY OF FINANCIAL LIABILITIES

At amortised cost:

Long-term Liabilities	24,929,875	21,216,624
Non-current Provisions/Employee Benefits	18,605,957	14,374,887
Employee Benefits	2,711,783	2,324,481
Trade and Other Payables	10,825,596	5,928,313
Unspent Conditional Government Grants and Receipts	3,842,297	5,730,514
<b>Total Financial Liabilities</b>	<b>60,915,508</b>	<b>49,574,819</b>

### 53. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

### 54. IN-KIND DONATIONS AND ASSISTANCE

The municipality has received no in-kind donations or assistance.

### 55. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

### 56. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

### 57. CONTINGENT LIABILITY

The municipality is not aware of any contingent liabilities.

### 58. RELATED PARTIES

#### 58.1 Related Party Transactions

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

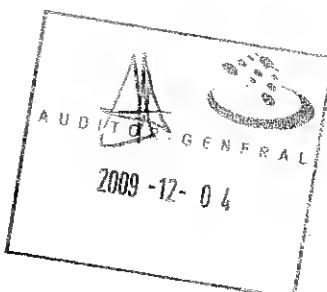
The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

#### 58.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

#### 58.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 31 to the Annual Financial Statements.



#### 58.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Councillor/Staff Member	Entity			
H Meyer (Chief: Creditors)	HD Meyer (Spouse)	6,156	19,619	
L Kleynhans (Chief: Salaries)	Auto Page Cellular (Spouse)	20,665	303,561	
L van Wyk (Debtors Accountant)	KC Verkoeling (Spouse)	238,925	85,064	

#### 59. EXEMPTIONS TAKEN ACCORDING TO DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

##### GRAP 12 Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment or Agricultural Assets.

The municipality is currently in a process of measuring all inventories in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

##### GRAP 16 Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

The municipality is currently in a process of identifying and measuring all Investment Properties in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

##### GRAP 17 Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Investment Properties, Intangible Assets or Inventory. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

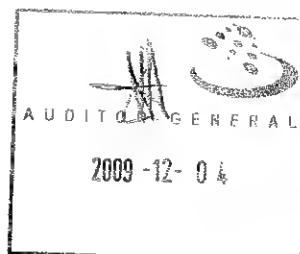
###### Land

Small asset items below a R5 000 threshold previously expensed  
Property, Plant and Equipment financed by way of provisions  
Property, Plant and Equipment transferred as a result of the transfer of functions  
Componentised Infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it measured in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.



#### **GRAP 19 Provisions, Contingent Liabilities and Contingent Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

Refuse tip-sites financed by way of a provision;

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

#### **GRAP 102 Intangible Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

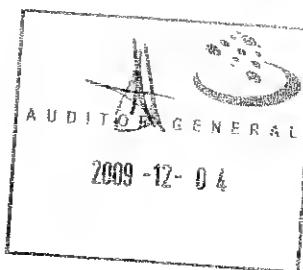
Computer Software

Intangible assets financed by way of finance leases

Intangible assets transferred as a result of the transfer of functions

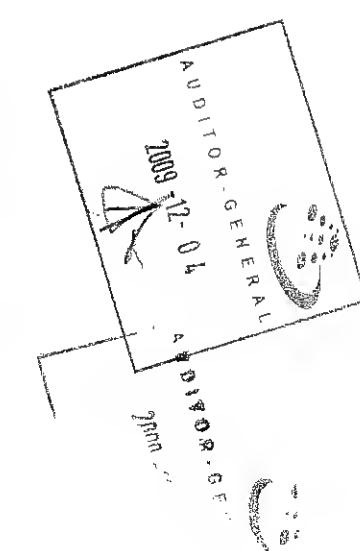
Servitudes

The municipality is currently in a process of measuring all Intangible Assets in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements.



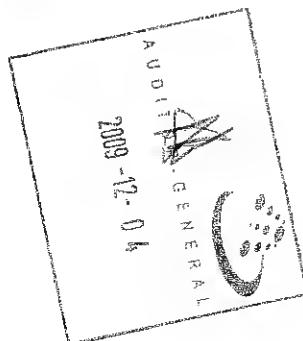
**APPENDIX A**  
**MATZIKAMA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30/06/2008	Received during the period	Redeemed written off during the period	Balance at 30/06/2009
<b>LONG-TERM LOANS</b>							
Total Long-term Loans				-	-	-	-
<b>ANNUITY LOANS</b>							
DBSA - Water	14.00%	LE03	2015	1,209,134	-	68,446	1,140,688
DBSA - Capital Works 2002	13.00%	OB1	2012	1,595,570	-	361,978	1,233,592
DBSA - Capital Works 2003/2004	10.98%	OB12	2014	3,365,681	-	424,523	2,941,158
DBSA - Capital Works 2004/2005	9.92%		2015	2,962,741	-	310,821	2,651,920
DBSA - Capital Works 2007/2008	14.27%		2018	4,000,000	-	-	4,000,000
DBSA - Infrastructure 1	6.75%		2018		1,540,000	87,991	1,452,009
DBSA - Infrastructure 2	6.75%		2018		2,350,000	84,409	2,265,591
INCA - Water and Sewerage	9.75%		2015	2,548,266		266,137	2,282,129
ABSA - Water Scheme	9.77%	E48	2015	2,382,468		249,490	2,132,978
ABSA - Capital Works 2005/2006	9.15%		2016	3,105,577		280,267	2,825,310
ABSA - Capital Works 2008/2009	prime - 2%		2018		2,110,000	105,500	2,004,500
<b>Total Annuity Loans</b>				<b>21,169,437</b>	<b>6,000,000</b>	<b>2,239,562</b>	<b>24,929,875</b>
<b>GOVERNMENT LOANS</b>							
Total Government Loans				-	-	-	-
<b>LEASE LIABILITY</b>							
Hire Purchases				37,375		37,375	-
Leases				9,812		9,812	-
<b>Total Lease Liabilities</b>				<b>47,187</b>	<b>-</b>	<b>47,187</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>21,216,624</b>	<b>6,000,000</b>	<b>2,286,749</b>	<b>24,929,875</b>



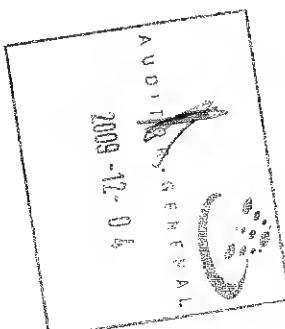
**APPENDIX B**  
**MATZIKAMA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Impairment/ Disposal	Closing Balance	Opening Balance	Additions	Impairment/ Disposal	Closing Balance	
<b>Land and Buildings</b>										
Land	2,901,788	-	-	-	2,901,788	13,285	12,825	-	26,110	2,875,678
Buildings	12,295,831	540,540	-	-	12,836,371	3,123,763	550,539	-	3,674,302	9,162,069
	<b>15,197,619</b>	<b>540,540</b>	<b>-</b>	<b>-</b>	<b>15,738,159</b>	<b>3,137,048</b>	<b>563,364</b>	<b>-</b>	<b>3,700,412</b>	<b>12,037,747</b>
<b>Infrastructure</b>										
Drains	1,013,303	(979,124)	11,791,453	-	11,825,632	-	2,349	-	2,349	11,823,283
Roads and Streets	28,438,271	19,752,408	169,360	-	48,360,039	12,447,149	2,508,909	-	14,956,058	33,403,981
Beach Improvements	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	31,412,855	771,788	1,329,481	-	33,514,124	9,082,263	1,382,619	-	10,464,882	23,049,242
Electricity mains	14,456,495	(288,000)	7,663,050	-	21,831,545	4,562,499	631,683	-	5,194,182	16,637,363
Electricity Peak Load equipment	2,873,714	100,000	-	-	2,973,714	1,050,798	164,816	-	1,215,614	1,758,100
Water Mains & Purification	1,467,663	35,400	-	-	1,503,063	828,787	84,085	-	912,872	590,191
Water Reservoirs	9,810,120	-	-	-	9,810,120	2,119,714	490,505	-	2,610,219	7,199,901
Water Meters	730,420	-	-	-	730,420	192,360	38,950	-	231,310	499,110
Water Mains	34,642,292	36,608	-	-	34,678,900	14,094,802	1,588,990	-	15,683,792	18,995,108
Landfill Sites	57,973	-	-	-	57,973	30,396	2,360	-	32,756	25,217
	<b>124,903,106</b>	<b>19,429,080</b>	<b>20,953,344</b>	<b>-</b>	<b>165,285,530</b>	<b>44,408,768</b>	<b>6,895,266</b>	<b>-</b>	<b>51,304,034</b>	<b>113,981,496</b>
<b>Community Assets</b>										
Parks and Gardens	757,278	-	-	-	757,278	103,274	8,228	-	111,502	645,776
Libraries	360,361	-	-	-	360,361	115,196	10,812	-	126,008	234,353
Recreation Grounds	5,363,486	-	-	-	5,363,486	1,764,776	220,359	-	1,985,135	3,378,351
Civic Buildings	6,283,788	208,068	-	-	6,491,856	1,441,506	212,643	-	1,654,149	4,837,707
	<b>12,764,913</b>	<b>208,068</b>	<b>-</b>	<b>-</b>	<b>12,972,981</b>	<b>3,424,752</b>	<b>452,042</b>	<b>-</b>	<b>3,876,794</b>	<b>9,096,187</b>
<b>Heritage Assets</b>										
<b>Total carried forward</b>	<b>152,865,638</b>	<b>20,177,688</b>	<b>20,953,344</b>	<b>-</b>	<b>193,996,670</b>	<b>50,970,568</b>	<b>7,910,672</b>	<b>-</b>	<b>58,881,240</b>	<b>135,115,430</b>



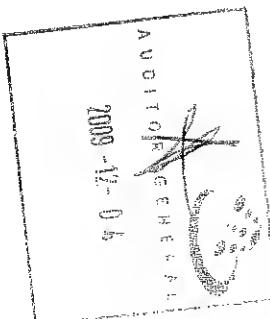
**APPENDIX B**  
**MATZIKAMA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Impairment/ Disposal	Closing Balance	Opening Balance	Additions	Impairment/ Disposal	Closing Balance	
<b>Total brought forward</b>	152,865,638	20,177,688	20,953,344	-	193,996,670	50,970,568	7,910,672	-	58,881,240	135,115,430
<b>Lease Assets</b>										
Office Equipment (Lease)	409,422	-	-	409,422	-	365,979	43,443	409,422	-	-
<b>Other Assets</b>										
Office Equipment	9,352,826	401,730	41,801	119,861	9,676,496	4,315,950	1,273,632	61,928	5,527,654	4,148,842
Furniture and Fittings	521,758	109,146	-	-	630,904	59,471	108,581	-	168,052	462,852
Bins and Containers	26,820	-	-	-	26,820	17,676	2,682	-	20,358	6,462
Emergency equipment	1,892,053	61,362	-	-	1,953,415	1,001,207	125,274	-	1,126,481	826,934
Motor Vehicles	5,501,507	1,739,319	-	-	7,240,826	2,752,083	776,921	-	3,529,004	3,711,822
Fire Engines	-	-	-	-	-	-	-	-	-	-
Refuse Tankers	1,327,266	-	-	-	1,327,266	305,803	76,109	-	381,912	945,354
Computer Equipment	3,626,578	416,549	-	-	4,043,127	2,744,363	342,190	-	3,086,553	956,574
Councillors Regalia	-	-	-	-	-	-	-	-	-	-
Conservancy Tankers	-	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-	-
	22,248,808	2,728,106	41,801	119,861	24,898,854	11,196,553	2,705,389	61,928	13,840,014	11,058,840
<b>Total</b>	175,523,868	22,905,794	20,995,145	529,283	218,895,524	62,533,100	10,659,504	471,350	72,721,254	146,174,270



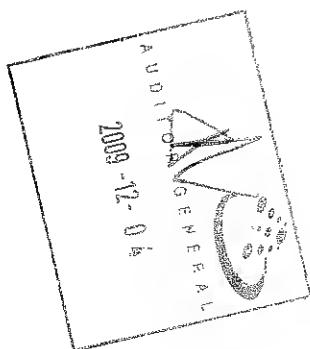
**APPENDIX C**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**  
**MUNICIPAL VOTES CLASSIFICATION**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Impairment/ Disposal	Closing Balance	Opening Balance	Additions	Impairment/ Disposal	Closing Balance	
Executive & Council	196,271	510,749	-	-	707,020	78,474	34,956	-	113,430	593,590
Finance & Admin	13,309,579	7,677	-	529,283	12,787,973	4,635,811	894,176	471,350	5,058,637	7,729,336
Planning & Development	20,723	-	-	-	20,723	5,036	4,144	-	9,180	11,543
Health	959,855	-	-	-	959,855	278,044	31,995	-	310,039	649,816
Community & Social Services	6,735,095	146,118	-	-	6,881,213	1,668,980	264,126	-	1,933,106	4,948,107
Housing	862,964	35,780	-	-	898,744	39,416	8,017	-	47,433	851,311
Public Safety	3,002,702	314,830	-	-	3,317,532	1,479,472	157,911	-	1,637,383	1,680,149
Sport & Recreation	11,062,553	520,193	-	-	11,582,746	3,120,244	602,746	-	3,722,990	7,859,756
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	5,374,646	6,945	-	-	5,381,591	1,646,160	591,650	-	2,237,810	3,143,781
Waste Water Management	33,808,789	58,697	13,096,726	-	46,964,212	10,717,133	1,539,817	-	12,256,950	34,707,262
Road Transport	32,072,543	20,926,569	169,360	-	53,168,472	14,051,826	3,105,811	-	17,157,637	36,010,835
Water	42,167,648	364,938	66,009	-	42,598,595	17,666,857	2,075,087	-	19,741,944	22,856,651
Electricity	25,858,941	(19,351)	7,663,050	-	33,502,640	7,104,555	1,329,631	-	8,434,186	25,068,454
Tourism	91,560	32,648	-	-	124,208	41,091	19,438	-	60,529	63,679
	176,523,869	22,905,793	20,995,145	529,283	218,895,524	62,533,099	10,659,505	471,350	72,721,254	146,174,270



**APPENDIX D**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009**  
**MUNICIPAL VOTES CLASSIFICATION**

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
1,201,522	1,551,472	(349,950)	Executive & Council	1,592,613	(7,132,761)	(5,540,148)
29,074,588	14,934,527	14,140,061	Finance & Admin	70,335,034	(22,763,800)	47,571,235
280,326	2,471,446	(2,191,120)	Planning & Development	884,831	(2,351,974)	(1,467,143)
-	-	-	Health	-	-	-
1,288,993	5,282,222	(3,993,229)	Community & Social Services	1,116,847	(3,988,755)	(2,871,908)
15,283,743	16,777,169	(1,493,426)	Housing	21,579,788	(21,579,788)	-
877,662	3,448,734	(2,571,072)	Public Safety	2,624,046	(2,854,156)	(230,111)
1,677,868	4,875,668	(3,197,800)	Sport & Recreation	1,410,501	(4,642,451)	(3,231,950)
-	-	-	Environmental Protection	-	-	-
12,874,309	11,767,114	1,107,195	Waste Management	15,438,657	(14,491,921)	946,736
8,137,006	10,718,959	(2,581,953)	Road Transport	3,780,682	(7,304,371)	(3,523,688)
14,002,974	11,105,824	2,897,150	Water	8,910,766	(9,204,086)	(293,320)
30,058,482	26,104,568	3,953,914	Electricity	32,739,488	(27,545,350)	5,194,138
6,980	609,640	(602,660)	Other	13,359	(2,364,339)	(2,350,980)
114,764,453	109,647,343	5,117,110	Sub Total	160,426,611	(126,223,752)	34,202,860
-	-	-	Less Inter-Departmental Charges	-	-	-
114,764,453	109,647,343	5,117,110	Total	160,426,611	(126,223,752)	34,202,860



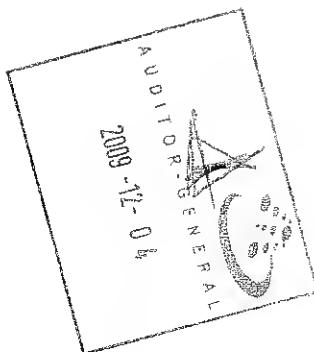
**APPENDIX E(1)**  
**MATZIKAMA MUNICIPALITY**  
**REVENUE AND EXPENDITURE**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009**  
**MUNICIPAL VOTES CLASSIFICATION**

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property rates	14,718,631	17,455,000	(2,736,369)	-15.68%	Rebates on Property Taxes
Government Grants and Subsidies	76,633,540	34,017,463	42,616,077	125.28%	Additional Grants and Subsidies received
Public Contributions and Donations	-	-	-	0.00%	
Contributed PPE	-	-	-	0.00%	
Fines	2,552,099	2,113,500	438,599	20.75%	Increase in fines collected
Third Party Payments	-	-	-	0.00%	
Actuarial gains	-	-	-	0.00%	
Other	4,413,879	-	4,413,879	0.00%	VAT on Conditional Grants
Property rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	50,980,701	52,714,800	(1,734,099)	-3.29%	
Water Services Authority Contribution	-	-	-	0.00%	
Rental of Facilities and Equipment	2,279,586	2,101,200	178,386	8.49%	
Interest Earned - External Investments	1,424,212	1,300,000	124,212	9.55%	
Interest Earned - Outstanding Receivables	1,674,003	2,050,000	(375,997)	-18.34%	Better recoverability of receivables
Licences and Permits	5,261	12,000	(6,739)	-56.16%	
Agency Services	3,263,016	1,462,700	1,800,316	123.08%	Appointment of temporary employees
Other Income	2,213,682	1,716,100	497,582	28.99%	Reduce provision for debt impairment
Unamortised discount - Interest	-	-	-	0.00%	
Gains on Disposal of PPE	268,003	850,000	(581,997)	-68.47%	Property not sold as planned
Reversal of Impairment Loss	-	-	-	0.00%	
Changes in Fair Value	-	-	-	0.00%	
Inventory: Reversal of write-down to Net Realisable Value	-	-	-	0.00%	
<b>Total Revenue</b>	<b>160,426,611</b>	<b>115,792,763</b>	<b>44,633,848</b>	<b>38.55%</b>	
<b>EXPENDITURE</b>					
Executive & Council	(7,132,761)	(8,255,793)	1,123,032	-13.60%	
Finance & Admin	(22,763,800)	(17,909,353)	(4,854,447)	27.11%	
Planning & Development	(2,351,974)	(3,031,306)	679,332	-22.41%	
Health	-	-	-	0.00%	
Community & Social Services	(3,988,755)	(4,596,251)	607,496	-13.22%	
Housing	(21,579,788)	(17,477,603)	(4,102,185)	23.47%	
Public Safety	(2,854,156)	(3,929,480)	1,075,324	-27.37%	
Sport & Recreation	(4,642,451)	(4,830,867)	188,416	-3.90%	
Environmental Protection	-	-	-	0.00%	
Waste Management	(14,491,921)	(11,827,884)	(2,664,057)	22.52%	
Road Transport	(7,304,371)	(9,531,933)	2,227,562	-23.37%	
Water	(9,204,086)	(9,333,239)	129,153	-1.38%	
Electricity	(27,545,350)	(28,828,701)	1,283,351	-4.45%	
Other	(2,364,339)	(2,006,897)	(357,442)	17.81%	
Less: Interdepartmental Charges	-	-	-	0.00%	
<b>Total Expenditure</b>	<b>(126,223,752)</b>	<b>(121,559,287)</b>	<b>(4,664,465)</b>	<b>3.84%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>34,202,860</b>	<b>(5,766,524)</b>	<b>39,969,384</b>	<b>-693.13%</b>	



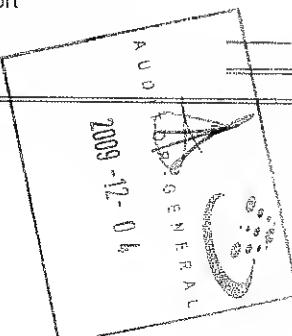
**APPENDIX E (2)**  
**MATZIKAMA MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**MUNICIPAL VOTES CLASSIFICATION**

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	510,749	-	510,749	3,041,068	(2,530,319)	-83.20%	NDPG Project not started Property development not started due to
Finance & Admin	7,677	-	7,677	3,455,935	(3,448,258)	-99.78%	economic climate
Planning & Development	-	-	-	81,000	(81,000)	-100.00%	EIA investigation not completed 0.00%
Health	-	-	-	-	-	-	-
Community & Social Services	146,118	-	146,118	450,000	(303,882)	-67.53%	Additional offices build
Housing	35,780	-	35,780	19,500	16,280	83.49%	
Public Safety	314,830	-	314,830	316,500	(1,670)	-0.53%	
Sport & Recreation	520,193	-	520,193	1,413,206	(893,013)	-63.19%	Lotto and roll-over of project 0.00%
Environmental Protection	-	-	-	-	-	-	-
Waste Management	6,945	-	6,945	-	6,945	0.00%	
Waste Water Management	58,697	13,096,726	13,155,423	10,778,000	2,377,423	22.06%	MIG Funds for 2009/2010 used
Road Transport	20,926,589	169,360	21,095,929	5,926,375	15,169,554	255.97%	Roads build by Dept of Transport
Water	364,938	66,009	430,947	1,220,000	(789,053)	-64.68%	Raw water Lutzville-Wes not started
Electricity	(19,351)	7,663,050	7,643,699	10,264,000	(2,620,301)	-25.53%	Roll-over of project
Tourism	91,560	-	91,560	30,000	61,560	205.20%	
<b>Total</b>	<b>22,964,705</b>	<b>20,995,145</b>	<b>43,959,850</b>	<b>36,995,584</b>	<b>6,964,266</b>	<b>18.82%</b>	



**APPENDIX F**  
**MATZIKAMA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2008	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2009	Unspent 30 June 2009 (Creditor)	Unpaid 30 June 2009 (Debtor)
MIG	(197,648)	6,300,000	-	-	(773,684)	(5,328,668)	-	-	-
Koekenaap Housing	-	287,192	-	-	(287,192)	-	-	-	-
DOW: Vanrhynsdorp	-	-	-	-	-	(3,173,720)	(3,173,720)	-	(3,173,720)
Drought Relief	2,053,467	-	-	-	(252,180)	(1,801,287)	-	-	-
Ebenhaezer Fencing	23,403	-	-	-	(23,403)	-	-	-	-
MSIG	538,568	735,000	-	-	(990,052)	(425,000)	(141,484)	-	(141,484)
Sport Doringbaai	315,206	-	-	-	(38,710)	(1,860)	274,636	274,636	-
Town Planning	328,802	-	-	-	(328,802)	-	-	-	-
Lotto	(677,046)	-	-	-	-	-	(677,046)	-	(677,046)
Financial Management Grant	445,435	500,000	-	-	(511,053)	(86,392)	347,990	347,990	-
Food Security Program	144,850	-	-	-	(23,306)	-	121,344	121,344	-
Emerging Farmers	148,593	-	-	-	(148,593)	-	-	-	-
Taxi Terminus	291,275	-	-	-	(35,771)	(177,653)	77,851	77,851	-
National Electrification	(1,786,483)	5,500,000	-	-	(675,439)	(3,038,078)	-	-	-
Equitable Share	-	18,034,375	-	-	(18,034,375)	-	-	-	-
Masabane Centre	71,607	183,000	-	-	(101,277)	-	153,330	153,330	-
Namakwa Sands	(333,653)	2,528,789	-	-	-	(2,219,343)	(24,207)	-	(24,207)
Flood Damages	749,126	5,619,252	-	-	(785,907)	(3,699,440)	1,883,031	1,883,031	-
Housing "opvoeding"	20,000	40,000	-	-	(7,368)	-	52,632	52,632	-
Maintenance of Proclaimed Roads	-	56,000	-	-	(56,000)	-	-	-	-
Hoodia Project	165,000	10,237	-	-	-	-	175,237	175,237	-
Library	-	346,000	-	-	(346,000)	-	-	-	-
Sport and Recreation Facilities	-	300,000	-	-	(30,702)	-	269,298	269,298	-
Soup Kitchens SOF	15,013	-	-	-	(15,013)	-	-	-	-
DWAF - Masabane Projects	12,369	90,000	-	-	(23,422)	-	78,947	78,947	-
West Coast Community Trust	408,000	-	-	-	-	-	408,000	408,000	-
Housing	-	20,635,020	-	-	(20,635,020)	-	-	-	-
Ebenhaezer Toegangspad	-	9,000,000	-	-	(9,000,000)	-	-	-	-
Vredendal-Noord Busroete	-	6,000,000	-	-	(6,000,000)	-	-	-	-
CDW Support	-	192,000	-	-	(192,000)	-	-	-	-
<b>Total</b>	<b>2,735,684</b>	<b>76,356,866</b>	<b>-</b>	<b>-</b>	<b>(59,315,268)</b>	<b>(19,951,443)</b>	<b>(174,160)</b>	<b>3,842,297</b>	<b>(4,016,457)</b>



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# **Report of the Auditor General**

Matzikama Municipality

*For the year ended 30 June 2009*

**REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Matzikama Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 et seq. of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Matzikama Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

8. In my opinion the financial statements present fairly, in all material respects, the financial position of Matzikama Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA and DoRA.

#### **Emphasis of matters**

Without qualifying my opinion, I draw attention to the following matters:

#### **Amendments to the applicable basis of accounting**

9. As set out in accounting policy note 1.1 of the municipality's financial statements, the municipality has adopted the transitional provisions as allowed by Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" as issued by the Accounting Standards Board.

#### **Unauthorised and irregular expenditure**

10. As disclosed in notes 47.1 to the financial statements, unauthorised expenditure to the amount of R29 609 892 was incurred, mainly as a result of additional expenditure incurred on the GRAP implementation project, road transport projects and housing projects.
11. As disclosed in notes 47.1 to the financial statements, irregular expenditure to the amount of R104 424 was incurred, as a result of motor vehicle allowances incorrectly paid to employees.

#### **Restatement of corresponding figures**

12. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of an error discovered during the year ended 30 June 2009 in the financial statements of the municipality at, and for the year ended 20 June 2008.

## **Material losses**

13. As disclosed in note 48.8 to the financial statements, the municipality incurred electricity distribution losses to the value of R5 581 619, which represents a loss of 13.6%.

## **Other matters**

I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

### **Unaudited supplementary schedules**

14. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **Material inconsistencies in other information included in the annual report**

15. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

## **Non-compliance with applicable legislation**

16. The municipality did inform the mayor, MEC for local government in the province and the Auditor-General of any unauthorised, irregular and wasteful expenditure, as required by section 32(4) of the Municipal Finance Management Act, 2003.

## **Key governance responsibilities**

17. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
	<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>		
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input checked="" type="checkbox"/>	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.	<input checked="" type="checkbox"/>	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input checked="" type="checkbox"/>
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input checked="" type="checkbox"/>	

No.	Matter	Y	N
	<b>Availability of key officials during audit</b>		
5.	Key officials were available throughout the audit process.	<input checked="" type="checkbox"/>	
	<b>Development and compliance with risk management, effective internal control and governance practices</b>		
6.	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	<input checked="" type="checkbox"/>	
	The audit committee operates in accordance with approved, written terms of reference.	<input checked="" type="checkbox"/>	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	<input checked="" type="checkbox"/>	
7.	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	<input checked="" type="checkbox"/>	
	The internal audit function operates in terms of an approved internal audit plan.	<input checked="" type="checkbox"/>	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	<input checked="" type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input checked="" type="checkbox"/>	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input checked="" type="checkbox"/>	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input checked="" type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	<input checked="" type="checkbox"/>	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input checked="" type="checkbox"/>	
	<b>Follow-up of audit findings</b>		
13.	The prior year audit findings have been substantially addressed.	<input checked="" type="checkbox"/>	
14.	SCOPA resolutions have been substantially implemented.		Not applicable
	<b>Issues relating to the reporting of performance information</b>		
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input checked="" type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input checked="" type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68	<input checked="" type="checkbox"/>	

No.	Matter	Y	N
	of the MFMA.		
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	■	

18. The ongoing development and implementation of the performance management system, including the underlying processes and procedures that facilitate the preparation of accurate and complete performance information require urgent attention by the leadership of the municipality, together with the support of internal audit and the audit committee.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on performance information**

19. I was engaged to review the performance information.

### **The accounting officer's responsibility for the performance information**

20. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

21. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008 issued in Government Gazette No. 31057 of 15 May 2008 [and section 45 of the MSA].

22. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

23. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### **Findings on performance information**

#### **Content of integrated development plan**

24. The integrated development plan of the Matzikama Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

### **No mid-year budget and performance assessments**

25. The accounting officer of the Matzikama Municipality did not by 25 January of the year under review assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

**Performance information not received in time**

26. An assessment could not be performed of the reliability of the reported performance information, as set out on pages xx to xx of the annual report, since the information was not received in time for audit purposes.

**APPRECIATION**

27. The assistance rendered by the staff of the Matzikama Municipality during the audit is sincerely appreciated.

*Auditor-General*

Cape Town

November 2009



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*